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SEWER BILLING AGREEMENT

IAWC Ex. 5.6

THIS AGREEMENT is made and entered into this 26th day of November, 2001, by and between ILLINOIS-AMERICAN WATER COMPANY, a corporation organized under the laws of the State of Illinois, hereinafter referred to as the WATER COMPANY, and the CITY OF PEKIN, ILLINOIS, a municipal corporation of the State of Illinois, hereinafter referred to as the CITY.

WITNESSETH:

WHEREAS, the WATER COMPANY is engaged in the business of providing water service to the general public in, inter alia, Pekin, Illinois and areas adjacent thereto; and

WHEREAS, the CITY maintains a sewer collection and treatment system in the CITY and bills its residents for the use thereof; and

WHEREAS, the CITY has requested the WATER COMPANY to perform billing and accounting for customers of the CITY receiving sewer service and the WATER COMPANY has agreed to provide said services to the CITY, all pursuant to the terms and conditions contained herein;

NOW, THEREFORE, for and in consideration of the covenants contained herein, the parties hereby agree as follows:

1. (A) The CITY and the WATER COMPANY shall, jointly, designate and cause to be identified on the WATER COMPANY's computer records, each customer of the WATER COMPANY who is also a sewer customer of the CITY (the "joint accounts"). The WATER COMPANY shall bill all joint accounts for sewer service charges on behalf of the CITY, at the rates provided to it by the CITY pursuant to Section 3.
- (B) Upon receipt of a written request from the CITY, the WATER COMPANY shall also bill the CITY's sewer service customers who are not also WATER COMPANY customers (the "sewer only customers"); provided that the CITY shall furnish to the WATER COMPANY such sewer service information for such customers as may be required by the WATER COMPANY for it to bill such customers for sewer service; and provided, further, that should:
 - (i) such sewer only customers receive water from unmetered wells, such customers shall be billed at a flat rate for sewer service from the CITY, as provided to the WATER COMPANY pursuant to Section 3 (the "flat rate");
 - (ii) such sewer only customers receive water from a metered water system other than the WATER COMPANY's system, such

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Witness _____

Date 5/19/03 Reporter CB

customers shall be billed by the flat rate, unless the CITY furnishes water meter readings for such a customer to the WATER COMPANY and requests that such customer be billed at the metered rate provided pursuant to Section 3; or

- (iii) such sewer only customer not receive water service from any source (e.g., a landlord whose tenants are directly responsible for their water service), the CITY may request WATER COMPANY to bill such sewer only customer based upon a flat rate to be provided to the WATER COMPANY pursuant to Section 3 or, if the WATER COMPANY provides water service to its customer(s) at the same premises to which such sewer service is rendered, based upon the water use at such premises; provided the WATER COMPANY reserves the right to charge an additional fee, as may be hereafter agreed by the parties from time to time, for the service of determining the total water usage at such premises, in order to calculate such bill.

2. The WATER COMPANY shall be responsible for the sewer customer billing and accounting service for only those users of the sewer system of the CITY identified pursuant to Section 1 above, and only during the term of this Agreement.
3. The CITY shall, prior to the commencement of billing services by the WATER COMPANY pursuant hereto, furnish the WATER COMPANY with the rate or rates to be charged for sewer services, including both the flat and metered rates and charges to be applied to delinquent accounts, if any. The CITY may, from time to time, but no more frequently than once per year, notify the WATER COMPANY of any revisions of such rates; provided that such revisions shall not be effective until the billing cycle following the end of the month in which notice has been given. Sewer charges of residential customers for usage during the months of May through October shall be limited to the customer's average usage during the immediately preceding months of November through April. Should the customer not have resided at the subject location during all of such months, or if no usage was registered during certain of these months, then the customer's average usage shall exclude months having no usage. Should the customer take no water during any of such months, then the usage billed shall be limited to the average residential usage in the Water Company's District in which the customer resides.
4. The sewer customers to be billed by the WATER COMPANY pursuant hereto shall be billed on a cycle which is the same as the WATER COMPANY uses for the billing of its customers.

5. The WATER COMPANY shall administer the accounts of the CITY and prepare the bills for all customers of the CITY receiving sewer service subject hereto in accordance with the regular and periodic billing procedure followed by the WATER COMPANY in the billing of its customers receiving water service. The WATER COMPANY agrees to observe the same diligence, policies, and procedures in the billing and accounting of the CITY's sewer accounts subject hereto as it uses in administering and billing its water service accounts.
6. Water bill adjustments, which are granted as a result of over or under estimated water usage, over or under registration of water meters, underground leaks, faulty or inoperative meters, incorrect meter reading, or other recognized and proper adjustments which are granted to water customers by the WATER COMPANY to water customers which are joint accounts shall be accepted by the CITY and be recognized in determining the billing for sewer charges, excluding, however, any flat rate sewer service charge customer. Any resultant adjustment to the sewer charge will be billed at the same time as is the water charge adjustment.
7. The WATER COMPANY will (i) calculate, as set forth above, the applicable sewer charges for each of the CITY's sewer customers identified pursuant to Section 1; (ii) print a sewer bill therefor; and (iii) deposit such bill in the United States mail, with a return envelope pre-addressed to the WATER COMPANY.
8. All of the CITY's sewer charges paid by its customers will be collected and receipted by the WATER COMPANY and the WATER COMPANY shall transmit to the CITY, by electronic funds transfer, twice per month, on the 3rd and 18th day of each month (unless such day falls on a Saturday, Sunday, or legal holiday, in which case such transmittal shall be made on the immediately preceding business day), such collections made on behalf of the CITY during the immediately preceding semi-monthly period (being the 16th through the last day of the immediately succeeding month and the 1st through the 15th day of such month, respectively), net of chargebacks during such period, less all amounts owed to the WATER COMPANY by the CITY for its services pursuant to Section 11 hereof or the provision of water to the CITY.
9. The WATER COMPANY shall maintain customer accounts receivable data for the CITY's sewer customers, including daily transaction reports, monthly detail usage and revenue list by customers, monthly customer count report, monthly aging report, and monthly collection report, which shall be delivered to the CITY monthly, by the fifteenth (15th) of the month following the month to which such reports relate.
10. (A) The WATER COMPANY shall prepare and mail a second notice on all delinquent accounts.

- (B) The WATER COMPANY shall not, however, pursue legal proceedings to force the payment of delinquent accounts.
11. (A) In consideration of the services to be provided to the CITY by the WATER COMPANY pursuant hereto, in addition to all fees payable pursuant to Section 1(B), the CITY shall pay the WATER COMPANY, monthly, a sum equal to the result of multiplying eighty cents (\$.80) by the number of sewer bills prepared by the WATER COMPANY and delivered to the CITY's sewer customers during the immediately preceding month. Such amount shall be withheld from the collections to be paid to the CITY pursuant to Section 8. Fee payable shall increase annually an amount equal to 2.5% or the consumer price index (CPI), whichever is less.
- (B) The WATER COMPANY shall render a statement to the CITY by the tenth (10th) of each month setting forth the number of sewer bills prepared by the WATER COMPANY during the preceding month, the dollar amount owed therefor pursuant to subsection (A), the amount thereof which has been offset from collections which have been conveyed to the City pursuant to such section, and a statement of any past due amount owed by the CITY to the WATER COMPANY. The CITY shall pay each statement so rendered on which there is an outstanding balance within thirty (30) days after the date of such statement.
- (C) Should the term of this Agreement be extended, for each sewer bill which is sent out by the WATER COMPANY, the charge per bill set forth above in subsection 11(A) shall remain in effect unless changed by the WATER COMPANY by giving one hundred eighty (180) days' advanced written notice to the CITY prior to the end of the annual contract. At the end of such one hundred eighty (180) day period, such new charge shall automatically take effect.
- (D) The CITY shall pay to the WATER COMPANY its initial costs to establish the WATER COMPANY's books, records, and billing equipment to accommodate sewer billing. This initial cost shall not exceed \$7,500.00 for those customers identified in Section 1(A), whether such customers are joint customers as of the date hereof or become so in the future. There may be additional costs associated with those customers identified in Section 1(B), which shall, notwithstanding the preceding, be reimbursed, in full, by the CITY. There shall be no additional charge for Section 1(A) customers added in the future. In the event the CITY subsequently changes its method or rates for sewer billing, it shall pay the WATER COMPANY's expenses to accommodate any such change.

12. The term of this Agreement shall be three (3) years, commencing on August 1, 2002. The Agreement shall automatically renew from year-to-year thereafter, unless one party gives ninety (90) days' advanced written notice to the other party of its intent not to so renew the Agreement. Notwithstanding the above, this Agreement may be terminated for cause, at any time, upon sixty (60) days' advanced written notice to the other party.
13. This Agreement shall be construed to be applicable to only the parties hereto and shall not confer any rights, privileges, or obligations on any third party, including customers of the WATER COMPANY and/or the CITY.
14. It is mutually understood that there may be sewer customers of the CITY who discharge waste into the sewage system of the CITY but who obtain water from a source other than the WATER COMPANY. It is further mutually understood that there are some industrial/commercial sewer customers of the CITY who are billed on other bases in addition to water consumption. It is agreed that the CITY may, in its sole discretion, elect to prepare sewer bills for such customers separate and apart from the bills prepared by the WATER COMPANY under this Agreement. The CITY shall not, however, use any other preparation service, nor prepare its own bills, for any joint account without the written consent of WATER COMPANY, which consent may be given by electronic communication or U. S. mail.
15. The CITY shall indemnify and save the WATER COMPANY harmless from and against any and all costs and expenses (including attorney's fees and court costs) incurred as a result of the WATER COMPANY's reasonable performance hereunder. In no event, however, shall the CITY be required to indemnify the WATER COMPANY for the WATER COMPANY's own intentional acts or acts of negligence.
16. Payments received by the WATER COMPANY on a joint account will be applied to the WATER COMPANY customer account and the CITY sewer customer account on a pro rata basis, such basis to be calculated based on the outstanding balance owed to each the WATER COMPANY and the CITY, unless the customer has designated the party to whom the payment shall be paid, in which case such designation shall control. If the WATER COMPANY receives an overpayment, such overpayment shall, in accordance with the regulations of the Illinois Commerce Commission, be refunded to the customer. If the WATER COMPANY receives an underpayment of its account with the customer after prorating or applying the payment received in accordance with the preceding, the WATER COMPANY will terminate the customer's water service, in accordance with all applicable laws and regulations.

17. This Agreement may not be assigned by a party without the express written consent of the other party.
18. This Agreement may not be amended, modified, or revised except by a written instrument executed by both parties.
19. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns.
20. This Agreement has been entered into and shall be construed in accordance with the laws of the State of Illinois.

IN WITNESS WHEREOF, the parties hereto have caused their duly authorized agents to execute this Agreement to be effective as of the day and year first above written.

CITY OF PEKIN, ILLINOIS

ATTEST:

Sue P. McMillan

By: [Signature]

Title: [Signature]

Duly Authorized

ILLINOIS-AMERICAN WATER COMPANY

ATTEST:

Mary D. Sullivan
Asst. Secretary

By: [Signature]

Title: VP-Treasurer